

# CALIFORNIA LABOR AND WORKFORCE DEVELOPMENT AGENCY

## Functions of the Labor and Workforce Development Agency

The Labor and Workforce Development Agency oversees programs designed to foster job creation, business development, and ensure profitable, safe, and healthful working conditions through education and enforcement efforts. The 2004-05 Governor's Budget includes \$2.1 million and 13 personnel years for the Agency.

## Workers' Compensation Reform

California's business competitiveness has been severely impacted because of high worker's compensation costs for a long time—the system has grown from \$11 billion to \$28 billion in just five years. It is one of the key reasons continually cited by employers for either not expanding or relocating their businesses in the state.

California needs a workers' compensation system that provides necessary care for injured employees and reasonable costs for overburdened employers. Governor Schwarzenegger's reform package proposes the following:

- Ensures that California's standards are in line with nationally recognized workers' compensation standards. The Governor's

goal is to bring affordability to California's workers' compensation system so that costs are at or below the average rate for the entire country.

- Reforms the medical treatment side of the system, by infusing proven methods of delivering medical care so that injured workers receive faster, more consistent treatment so they return to work sooner. It emphasizes the importance of qualified medical professionals, rather than attorneys and judges, to heal injured workers.
- Reforms the permanent disability side of the system by requiring the use of objective standards and nationally recognized guidelines for impairment. The changes will provide uniformity and consistency.
- Provides innovative approaches to solving the problem by creating the option of "Direct-Access to Care" coverage so that employers can maximize the benefits of the group health model while ensuring adequate coverage to employees.

The Governor's goal is to create for California a stable, cost-effective workers' compensation system that will stand the test of time and not have to be revisited every few years. Employees need this stability so that when



they need care it is available; employers need it so they can plan for future business growth.

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## **Employment Development Department**

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### **Functions of the Employment Development Department**

The Employment Development Department (EDD) administers the Unemployment Insurance and Disability Insurance programs and collects personal income tax from employers. In addition, it administers a variety of labor exchange and job training programs, including the Job Services and Workforce Investment Act programs. The 2004-05 Governor's Budget proposes \$12.618 billion (\$18.8 million General Fund) and 10,072 personnel years for the Department.

**Paid Family Leave**—The Governor's Budget includes \$395.5 million for the first full year of operation of the Paid Family Leave program authorized by Chapter 901, Statutes of 2002 and Chapter 797, Statutes of 2003. Withholdings from employee pay began on January 1, 2004 and benefit payments will commence July 1, 2004.

**Unemployment Insurance**—Significant fund solvency issues must be resolved to ensure adequate funding for benefits to workers who become unemployed through no fault of their own, while minimizing the cost impact to the employer community. The Administration is working with stakeholders from both labor and business to identify options and reach consensus on this problem. Any budgetary changes that may be needed as a result of the Administration's efforts will be addressed in the 2004 May Revision.

**Employment Training Panel**—The Employment Training Panel (ETP) is a significant economic development tool for business

in California. The ETP, in partnership with business, labor, and government, provides funds for training California's workforce in the skills necessary for businesses to successfully compete in the global economy, while providing workers with good jobs paying good wages. Since its creation in 1982, the ETP has funded the training of workers in more than 50,000 companies across the state. Approximately 70 percent of the businesses the program serves are companies with 100 or fewer workers. The program targets frontline workers in manufacturing, high-technology, life sciences, and other high-wage businesses. The Governor's Budget proposes \$53 million for the ETP to provide training funds for California's workforce and employers.

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## **Department of Industrial Relations**

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### **Functions of the Department of Industrial Relations**

The primary functions of the Department of Industrial Relations (DIR) are to foster, promote, and develop the welfare of the wage earners of California, to improve their working conditions, and to advance their opportunities for profitable employment. The 2004-05 Governor's Budget proposes \$289.9 million (\$62.2 million General Fund) and 2336 personnel years for the Department.

**Workers' Compensation**—A number of workers' compensation cost containment reforms, enacted pursuant to Chapters 635 and 639, Statutes of 2003, took effect January 1, 2004. The DIR has implemented fee schedule changes for pharmaceuticals, inpatient hospital care, outpatient hospital care, and ambulatory surgical centers effective January 1, 2004. These provisions

are expected to result in savings to employers of up to \$5 billion in the first year of implementation. Continued reform of the workers' compensation system through additional legislative, regulatory, and administrative changes, is a high priority of the Administration. Any budgetary changes needed as a result of the final reform package will be addressed in the 2004 May Revision.

**Labor Law Enforcement**—California's businesses must be able to compete on a level playing field in order to ensure their long-term success and allow for both job retention and the creation of new jobs. The Governor's Budget protects DIR's labor law enforcement programs, which aim to penalize those who place law-abiding employers at a disadvantage, and who bring potential harm to their employees, by violating California labor laws.